

COMPREHENSIVE CASE



Costco (Ticker: COST), Target (Ticker: TGT), and Walmart (Ticker: WMT) are competitors in Discount/Variety Stores industry within the Services sector of the economy. Because of their similarities and direct competition with each other, they provide an excellent foundation for a Comprehensive Case to bring together all of the principles we will learn in class this semester.

Comprehensive Case Assignment:

Throughout the semester, in order to bring the lecture material to life, we will be conducting a "Comprehensive Case". The assignment will consist of numerous parts that will be due at various points throughout the semester (see syllabus).

- Part 1 - Accessing the Financial Information
- Part 2 - Analyzing the Financial Information
- Part 3 - Forecasting the Financial Information
- Part 4 - Modeling and Arriving at Values
- Part 5 - Drawing Conclusions and Taking a Position

The Purpose of the Comprehensive Case Assignment:

The purpose of the Comprehensive Case is to bring the Course Learning Outcomes to life. Thus, it will focus on the following:

- Using financial information to conduct analysis and arrive at conclusions relating to a company's current and future performance and financial condition.
- Using financial models and forecasts of financial statement information to arrive at conclusions regarding the company's valuation or net worth and compare it to capital markets.
- Integrating the analysis and valuation tools in order to construct, justify, and defend (both orally and in writing) recommendation on business issues. (In other words, taking a position).

The assignment details for each "Part" of the Comprehensive Case assignment are outlined hereafter.

PART 1 - Accessing the Financial Information



Costco (Ticker: COST), Target (Ticker: TGT), and Walmart (Ticker: WMT) are competitors in Discount/Variety Stores industry within the Services sector of the economy. Because of their similarities and direct competition with each other, they provide an excellent foundation for a Comprehensive Case to bring together all of the principles we will learn in class this semester.

Assignment:

Posted on Blackboard is a Comprehensive Case Template. The objective of the assignment is to populate the Comprehensive Case Template with the most recent two years financials for Costco, Target, and Walmart.

- Download and save the template.
- Log in to SEC Edgar to Access the latest Financial Statements for Costco, Target, and Walmart.
 - a. www.sec.gov/edgar/searchedgar/companysearch.html
 - b. Enter the Ticker
 - c. Click on Interactive Data next to the most recent 10-K filing
- Using this information, populate the Income Statement and Balance Sheet on the Comprehensive Case Template with the information from SEC Edgar.
- Turn in your Populated Template

We will utilize this case template to illustrate and compare these two organizations throughout the semester. It will also become the foundation from which we will do forecasting and valuation for Costco Wholesale during class. Thus, perusing the rest of the 10K filings on SEC Edgar in a bit more detail may prove useful to your overall understanding and quality of learning from this semester-long comprehensive case exercise.

PART 2 - Analyzing the Financial Information



Costco (Ticker: COST), Target (Ticker: TGT), and Walmart (Ticker: WMT) are competitors in Discount/Variety Stores industry within the Services sector of the economy. Because of their similarities and direct competition with each other, they provide an excellent foundation for a Comprehensive Case to bring together all of the principles we will learn in class this semester.

Context:

So far, we have reviewed the 10K statements for Costco, Target, and Walmart on SEC Edgar, using that information to populate the Comprehensive Case Template which has been posted on Blackboard. The template provides an overview of the Balance Sheet and Income Statement from the last two years for each company.

Assignment:

Using the information from the Comprehensive Case Template as well as your understanding of the principles covered in the text and lectures, prepare a 2 page written case addressing the following by comparing Costco (as your primary company) to their competitors Target and Walmart:

Module	Assignment
3	Do Profitability analysis for the company. How do they compare to others in their industry?
4	Do Credit Risk Analysis for the company. What rating would you give them?
5	Calculate the EPS and Diluted EPS. How do they compare to others in their industry?
6	Determine how effective the firm is in collecting receivables, turning inventory, & turning PPE.
7	Determine how effectively the organization is utilizing interest free financing like accounts payable.
Overall	What are the implications of each? What recommendations would you give to management relating to each?

As the template sets up most of the analysis, the focus of your written case should be the answers to the questions for each. Outlined below is a rubric indicating how the written cases will be graded.

Basic = 1 Point, Developed = 2 Points, Mastery = 3 Points. Points will be summed up and divided out of points possible to arrive at the grade.

Assignment	Element	Basic (1)	Developed (2)	Mastery (3)
APPLICATION OF TOOLS	Quality of Analysis (applying the Forecast and Valuation Models)	Attempts to apply the financial model, forecast, and various valuation models but with deficiencies and a lack of understanding and attention to detail.	Applies the financial model, forecast, and various valuation models successfully though with assumptions or information not fully sourced or properly applied.	Applies the financial model, forecast, and various valuation models successfully arriving at an accurate and compelling information to be used in arriving at conclusions.
WRITTEN CASE	Professional Style, Mechanics, and Rigor	Work has not been edited for spelling and grammar mistakes; many typographical errors. Uses language that is difficult to follow, with colloquial word choice or awkward constructions. Not organized into a cohesive document with clear sections, paragraphs, sentences and structure.	Uses language with few usage or typographical errors. Uses language that effectively communicates meaning to readers, with few errors. Observable structure in terms of sections, paragraphs and sentences.	Language is deployed in fluent and complex grammatical constructions, with hardly any typographical errors. Uses graceful language that skillfully communicates meaning to readers with clarity and fluency. Structure masterfully applied to ensure proper flow and sequential presentation of information to the reader.
WRITTEN CASE	Quality and Organization of Analysis and Conclusions	Attempts to draw conclusions from the application of the tools but with deficiencies and a lack of understanding and attention to detail. May not answer all posed questions.	Communicates conclusions by accurately answering all case questions through analysis results and conclusions.	Uses a thorough and clear system of organization of sources, evidence, and arguments that makes the paper's analysis and conclusions compelling from beginning to end.
WRITTEN CASE	Support for Conclusions	Demonstrates an attempt to support conclusions and answers.	Demonstrates consistent use of credible, relevant support for conclusions and answers.	Demonstrates skillful use of high-quality, credible, relevant support for conclusions and answers.

PART 3 - Forecasting the Financial Information



Context:

So far, we have reviewed the 10K statements for Costco, Target, and Walmart on SEC Edgar, using that information to populate the Comprehensive Case Template which has been posted on Blackboard. The template provided an overview of the Balance Sheet and Income Statement from the last two years for each company.

Additionally, we have written cases analyzing their profitability, credit risk, earnings per share, asset management, and related metrics.

Assignment:

In order to start to determine valuation, we must take this historical financial information and use it as the foundation from which we create a financial forecast. For simplicity, we will focus on just Costco Wholesale for this section.

Here are the steps involved in the assignment:

- Obtain the Forecast for the Company
 - Using the Bloomberg Terminals, obtain the Financial Forecast.
 - Look up the company ticker in the Equity section of Bloomberg
 - Go to the Key Stats (1) Tab
 - Go to the Highlights (11) Tab
 - This provides a financial forecast that can be used as a foundation or starting position.
- Populate the Parsimonious Forecast tab of the Comprehensive Case Template
 - Using the Bloomberg Forecast, populate the Sales Growth Estimates section of the Parsimonious Forecast tab.
 - Populate the Dividends Paid in the Previous Two Years.
 - Using the analysis you conducted previously, populate the Estimate Factors for Net Sales, NOPAT, NOA, and Dividends.
- Make any other fine tunings or adjustments you believe to be prudent based upon the analysis you have conducted on the company so far.
- Turn in the Parsimonious Forecast and print out from the Bloomberg Forecast.

PART 4 - Modeling and Arriving at Values



Context:

So far, we have reviewed the 10K statements for Costco, Target, and Walmart on SEC Edgar, using that information to populate the Comprehensive Case Template which has been posted on Blackboard. The template provided an overview of the Balance Sheet and Income Statement from the last two years for each company.

Additionally, we have written cases analyzing their profitability, credit risk, earnings per share, asset management, and related metrics.

Finally, we have prepared a forecast of the financial statements using the information obtained on Bloomberg and the financial analysis we have previously conducted.

Assignment:

Using the information from the Comprehensive Case Template, first Written Case, Financial Forecast, as well as your understanding of the principles covered in the text and lecture relating to valuation and forecasting, prepare a 1 page (maximum) written case for each of the following modules which answers these questions about your opinions on Costco Wholesale:

PART 4a

Modules	Assignment
12	Use the Dividend Discount Model to estimate the value of a share of company stock. <ul style="list-style-type: none">▪ How does it compare to the price in the market?▪ What do you believe to be the reasons for the difference?▪ What investment decision is suggested from your results?

PART 4b

Modules	Assignment
13	Using the Discounted Cash Flow Model, estimate the value of a share of company stock. <ul style="list-style-type: none">▪ How does it compare to the closing price of the stock on the stock exchange?▪ What do you believe to be the reasons for the difference?▪ What investment decision is suggested from your results?

PART 4c

Modules	Assignment
14	Using the ROPI Model, estimate the value of a share of company stock. <ul style="list-style-type: none">▪ How does it compare to the closing price of the stock on the stock exchange?▪ What do you believe to be the reasons for the difference?▪ What investment decision is suggested from your results?

PART 4d

Modules	Assignment
15	Using Market Multiples, estimate the value of a share of company stock using the NOA Multiple, BV Multiple, NOPAT Multiple, NI Multiple <ul style="list-style-type: none">▪ How do these figures compare to each other?▪ How does it compare to the closing price of the stock on the stock exchange?▪ What do you believe to be the reasons for the difference?▪ What investment decision is suggested from your results?

As the template sets up most of the analysis, the focus of your written case should be the answers to the questions for each. Outlined below is a rubric indicating how the written cases will be graded.

Basic = 1 Point, Developed = 2 Points, Mastery = 3 Points. Points will be summed up and divided out of points possible to arrive at the grade.

Due Dates:

Each 1 page paper is due at the same time we review the Homework for that Module in class (ie.usually the next class following the lecture on that module). Refer to the syllabus for details on due dates.

Assignment	Element	Basic (1)	Developed (2)	Mastery (3)
APPLICATION OF TOOLS	Quality of Analysis (applying the Forecast and Valuation Models)	Attempts to apply the financial model, forecast, and various valuation models but with deficiencies and a lack of understanding and attention to detail.	Applies the financial model, forecast, and various valuation models successfully though with assumptions or information not fully sourced or properly applied.	Applies the financial model, forecast, and various valuation models successfully arriving at an accurate and compelling information to be used in arriving at conclusions.
WRITTEN CASE	Professional Style, Mechanics, and Rigor	Work has not been edited for spelling and grammar mistakes; many typographical errors. Uses language that is difficult to follow, with colloquial word choice or awkward constructions. Not organized into a cohesive document with clear sections, paragraphs, sentences and structure.	Uses language with few usage or typographical errors. Uses language that effectively communicates meaning to readers, with few errors. Observable structure in terms of sections, paragraphs and sentences.	Language is deployed in fluent and complex grammatical constructions, with hardly any typographical errors. Uses graceful language that skillfully communicates meaning to readers with clarity and fluency. Structure masterfully applied to ensure proper flow and sequential presentation of information to the reader.
WRITTEN CASE	Quality and Organization of Analysis and Conclusions	Attempts to draw conclusions from the application of the tools but with deficiencies and a lack of understanding and attention to detail. May not answer all posed questions.	Communicates conclusions by accurately answering all case questions through analysis results and conclusions.	Uses a thorough and clear system of organization of sources, evidence, and arguments that makes the paper's analysis and conclusions compelling from beginning to end.
WRITTEN CASE	Support for Conclusions	Demonstrates an attempt to support conclusions and answers.	Demonstrates consistent use of credible, relevant support for conclusions and answers.	Demonstrates skillful use of high-quality, credible, relevant support for conclusions and answers.

PART 5 - Drawing Conclusions & Taking a Position



Context:

So far, we have reviewed the 10K statements for Costco, Target, and Walmart on SEC Edgar, using that information to populate the Comprehensive Case Template which has been posted on Blackboard. The template provided an overview of the Balance Sheet and Income Statement from the last two years for each company.

Additionally, we have written cases analyzing their profitability, credit risk, earnings per share, asset management, and related metrics.

Furthermore, we have prepared a forecast of the financial statements using the information obtained on Bloomberg and the financial analysis we have previously conducted.

Finally, we have completed various financial models to arrive at valuations for which we have prepared cases.

Assignment:

Using the information from the Comprehensive Case Template, first Written Case, Financial Forecast, Modeling and Valuation, as well as your understanding of the principles covered in the text and lecture, prepare a 2 page (maximum) written case which answers these questions about your opinions on Costco Wholesale:

Modules	Assignment
11-15	<ul style="list-style-type: none">How did the results from the various valuation models compare to one another? What do you believe were the reasons for the differences?Given the current stock price for your company, are they overvalued or undervalued? Why?Which valuation model(s) did you use to arrive at this conclusion? Why?What investment decision is suggested from your results? Buy or Sell? Convince us why!

Outlined below is a rubric indicating how the written cases will be graded.

Basic = 1 Point, Developed = 2 Points, Mastery = 3 Points. Points will be summed up and divided out of points possible to arrive at the grade.

Assignment	Element	Basic (1)	Developed (2)	Mastery (3)
APPLICATION OF TOOLS	Quality of Analysis (applying the Forecast and Valuation Models)	Attempts to apply the financial model, forecast, and various valuation models but with deficiencies and a lack of understanding and attention to detail.	Applies the financial model, forecast, and various valuation models successfully though with assumptions or information not fully sourced or properly applied.	Applies the financial model, forecast, and various valuation models successfully arriving at an accurate and compelling information to be used in arriving at conclusions.
WRITTEN CASE	Professional Style, Mechanics, and Rigor	Work has not been edited for spelling and grammar mistakes; many typographical errors. Uses language that is difficult to follow, with colloquial word choice or awkward constructions. Not organized into a cohesive document with clear sections, paragraphs, sentences and structure.	Uses language with few usage or typographical errors. Uses language that effectively communicates meaning to readers, with few errors. Observable structure in terms of sections, paragraphs and sentences.	Language is deployed in fluent and complex grammatical constructions, with hardly any typographical errors. Uses graceful language that skillfully communicates meaning to readers with clarity and fluency. Structure masterfully applied to ensure proper flow and sequential presentation of information to the reader.
WRITTEN CASE	Quality and Organization of Analysis and Conclusions	Attempts to draw conclusions from the application of the tools but with deficiencies and a lack of understanding and attention to detail. May not answer all posed questions.	Communicates conclusions by accurately answering all case questions through analysis results and conclusions.	Uses a thorough and clear system of organization of sources, evidence, and arguments that makes the paper's analysis and conclusions compelling from beginning to end.
WRITTEN CASE	Support for Conclusions	Demonstrates an attempt to support conclusions and answers.	Demonstrates consistent use of credible, relevant support for conclusions and answers.	Demonstrates skillful use of high-quality, credible, relevant support for conclusions and answers.

End
